

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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FM AMEMBASSY ROME

TO AMCONSUL MILAN

AMEMBASSY BONN

INFO SECSTATE WASHDC 5463

C O N F I D E N T I A L ROME 8486

E.O. 11652: GDS

TAGS: PINT, EFIN

SUBJECT: GERMAN CONDITIONS FOR CREDITS TO ITALY

REF: MILAN 0865

1. WE LIKE AMCONSUL MILAN ARE PUZZLED OVER PELLICANO'S REPORT THAT CHANCELLOR SCHMIDT HAS PERSONALLY REQUIRED THAT GOI REPEAL OR NULLIFY 1970 LABOR RELATIONS ACT AS CONDITION OF FRG FINANCED ASSISTANCE. JUDGING FROM WHAT WE HAVE BEEN HEARING IN VARIOUS ITALIAN OFFICIAL QUARTERS, FRG IS IN ITALIAN EYES BEHAVING WITH DISAPPOINTINGLY RIGOROUS AND ORTHODOX ATTITUDE TOWARD ASSISTING GOI IN ITS CURRENT ECONOMIC DIFFICULTIES, ALTHOUGH OUR SOURCES RECOGNIZE THAT A GOI STABILIZATION PROGRAM WILL BE A PRECONDITION FOR ANY EXTERNAL FINANCIAL HELP. SCHMIDT'S REPORTED ATTITUDE ACCORDS WITH THIS ITALIAN IMPRESSION AND MAY BE AN UNWARRANTED AMPLIFICATION OF IT. WHILE SCHMIDT MAY IN FACT HAVE TOLD GOI THAT HE BELIEVES LABOR LEGISLATION IS AN UNDERLYING CAUSE OF CURRENT ITALAIN DIFFICULTIES (WE EXPECT THAT AS THE LAW IS BEING IMPLEMENTED IT WOULD BE THE LAX SICK LEAVE PROVISIONS WHICH ATTRACT MAJOR CRITICISM), WE ALSO AGREE WITH PELLICANO THAT IT IS COMPLETELY UNREALISTIC FOR ANY CENTER-LEFT GOVERNMENT TO SEEK

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REPEAL, AND THIS WOULD BE EVEN LESS LIKELY IN PRESENT NEAR-CRISIS

POLITICAL ATMOSPHERE.

2. WE ALSO HAVE DIFFICULTY ENVISAGING HOW LEGISLATION COULD BE QUIETLY SABOTAGED, EVEN IF THERE WERE TACIT GOI INTENT TO DO SO, IN LIGHT OF TRADE UNION VIGILANCE AND SELF-CONFIDENCE.

3. THEREFORE, OUR INCLINATION IS TO VIEW PELLICANO'S REPORT AS EXAGGERATED AND PERHAPS SOMEWHAT DISTORTED. IT MAY, HOWEVER, REFLECT SPECIFIC CONCERN BY SCHMIDT OR BE SYMPTOMATIC OF RIGOROUS ATTITUDE THAT FRG IS OSTENSIBLY TAKING TOWARD CORRECTIVE ECONOMIC MEASURES BY GOI.VOLPE

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